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TAGS: [PGOV](#) [PREL](#) [ECON](#) [EAID](#) [EIND](#) [IZ](#) [IT](#) [EUN](#) [IRAQI](#) [FREEDOM](#)

SUBJECT: IRAQ: AMBASSADOR JONES DISCUSSES ECONOMIC AND
POLITICAL DEVELOPMENTS WITH ITALIAN MFA OFFICIALS

REF: A. STATE 124857

[B](#). STATE 127710

[C](#). ROME 2348

Classified By: Acting Pol M/C Jonathan Cohen for reasons 1.4 (b) and (d)
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[1](#). (C) Summary. Senior Advisor and Coordinator for Iraq Policy Ambassador Richard H. Jones updated key Italian MFA officials on Iraqi efforts to draft a new constitution, including the increased Sunni participation in the drafting committee, and US views on UNSCR 1546 and continuing the mandate of the coalition forces. The Italians stressed the need to involve Dhi Qar province, where Italian forces are located, in the reconstruction efforts. Italy has dispersed approximately 140 million of 200 million Euro pledged at Madrid and hopes to come up with up to 100,000 Euro more for the constitutional committee secretariat. Ambassador Jones' also participated in meetings on "Engaging the Coalition" (Ref C). End summary.

[2](#). (U) Senior Advisor and Coordinator for Iraq Policy Ambassador Richard H. Jones met July 7 with Luigi Maccotta, head of the Iraq Task Force at the Italian Ministry of Foreign Affairs. Joining Maccotta were Lino Cardarelli, an MFA advisor who previously served in the Program Management Office of the Coalition Provisional Authority, and Stefano Sturci a new member of the MFA's Iraqi Task Force. Ambassador Jones was accompanied by Staff Assistant Matt Fuller, Acting Political Minister Counselor, PolOff and EconOff.

New Mandate for Coalition Forces -----

[3](#). (C) Ambassador Jones briefed Maccotta on plans for extending UNSCR 1546 beyond the completion of the political process. Noting that the current mandate expires at the end of the transition, Jones said the coalition must explore options for extending the Multi-National Force mandate, either by extending 1546 or passing a new Security Council resolution. Coalition Provisional Authority Order 17 provides legal protection for all coalition forces, but the Iraqi government must decide whether to continue with the Order 17 arrangement or perhaps negotiate bilateral Status of Forces Agreements (SOFAs) with the United States and other coalition partners.

[4](#). (C) Maccotta commented that preserving the "multilateral momentum" embodied by UNSCR 1546 and the June Brussels conference is very important for Italy. He observed that Russia, France, and some Iraqi Sunnis have recently called for a solid timetable for the departure of foreign troops from Iraq. A withdrawal plan based on the successful completion of the political transition is too vague for some players, Maccotta asserted.

[5](#). (C) In terms of Italian public opinion and PM Berlusconi's relations with the Italian Parliament, Maccotta remarked that it is crucial that the coalition military presence remain "legitimate under a UN umbrella," whether under an extension of UNSCR 1546 or a new mandate, and that the Iraqis themselves request the continued presence of coalition forces. Maccotta also said it was necessary to prepare an "option B" for maintaining a legal mandate for the multi-national force into 2006 in case the adoption of a new constitution does not go as planned. Regarding legal protection for coalition troops, Maccotta predicted that the new Iraqi government would be eager to scrap the Order 17 arrangement as a relic of the occupation.

New Constitution and Saddam Trial -----

[6](#). (C) Jones explained that the constitutional committee is functioning well and is quickly assimilating the 15 new Sunni members. The committee may even have a draft ready by mid July, which would leave a full month for public consultation before the August 15 deadline for completion of the document. The Sunnis are now determined to participate in the referendum on the new constitution. Jones, however, remarked that the division of powers between the provinces and the central government remains a sensitive question, and is

likely to be deferred until a later date. Another problematic issue is the disposition of resources; a proposal that provincial governments retain 50 percent of oil and gas revenues could lead to huge central government deficits and reduce the national authority's ability to address health, education, and other responsibilities.

17. (C) Maccotta stressed the need to make sure the constitution was widely supported prior to the referendum. He also recommended that the trial of Saddam Hussein take place next year, well after the referendum. Such a trial could "open old wounds" in the Sunni community and it would be better for Iraq to focus on inclusion of the Sunnis through the December elections. Jones agreed, but noted that the timing of the trial is an Iraqi decision.

Involving Provinces in Reconstruction -----

18. (C) Commenting on Italian Ambassador De Martino's recent visit to Nassiriyah (where most of Italy's 3,000 plus troops are based), Maccotta said De Martino sensed a great deal of frustration among Iraqis in Dhi Qar province with the central government and the lack of reconstruction funds for the province. Provincial officials have asked the Italians for \$1 billion in aid which, Maccotta said, is far beyond Italy's capacity. Nevertheless, Rome hopes that more reconstruction money can be channeled into Dhi Qar and suggested that expected donations from Jordan and other Middle East countries target this region. The situation in Dhi Qar is stable, Maccotta asserted, but provincial officials want to see more tangible benefits from the Italian presence there.

19. (C) Jones responded that the USG is already moving to consult more closely with provincial authorities. Provincial Reconstruction and Development Councils (PRDCs) have been set up in 15 of 18 Iraqi provinces, and they will help coordinate projects with international donors. The USG has set aside up to \$725 million in reconstruction funds, to be announced at the upcoming conference in Jordan, for projects that will be coordinated through the PRDCs. Maccotta said the PRDCs would be a helpful step forward.

Iraq Reconstruction Priorities -----

10. (U) Jones also outlined four projects the USG is supporting based on priorities identified by Iraqi officials. These include:

- a National ID card system that will be used to manage health and other services;

- removal of shipwrecks from the Shatt al Arab waterway to expand access to Iraqi ports, thus removing a major bottleneck in the transport system;

- collection of natural gas (currently flared-off at oil wells) for use in power generation; and

- the creation of a housing fund to provide access to low-cost mortgages.

11. (SBU) None of these projects, Jones said, require a large footprint of foreign experts. Jones commented that the combined cost of these projects is about \$1 billion and additional funding could come in the form of concessionary loans from donor countries and the World Bank. Iraq, however, needs to create bodies capable of receiving and servicing these loans -- for example, an authority to manage the Shatt al Arab waterway.

12. (SBU) Cardarelli stated that an Italian firm had previously expressed interest in participating in a national ID card project. He also said he had been involved in discussions with Iraqi officials about housing projects. Cardarelli agreed with the need to minimize the number of foreign experts. Most of these efforts, Cardarelli remarked, could be managed remotely from Jordan or Kuwait, as Iraqi personnel are capable of conducting the work on the ground.

New Italy Aid for Water, Health, and Elections -----

13. (U) Jones explained that the upcoming donors' conference will focus on implementing a donor coordination mechanism. The Iraq Ministry of Planning and a UN donor council will play key roles in this new coordination plan.

14. (SBU) Maccotta said Italy will make a Euro 10 million donation this year to the International Reconstruction Fund Facility for Iraq. The 2005 donation will be earmarked for a UN Food and Agriculture Organization water "master plan" project. In addition, Italy is also in discussion with the

Italian Red Cross to undertake additional health sector projects. Italy already supports the Medical City Center Hospital in Baghdad via the Red Cross, but Italy also wants to do health projects with a wider impact, including establishment of an emergency medicine system and more training assistance.

¶15. (SBU) In response to reftel demarches, Maccotta revealed that Italy will also announce at the Dead Sea conference additional training assistance related to the upcoming constitutional referendum and national elections. Italy will channel this assistance through the International Training Programme for Conflict Management, a program run by the Pisa-based university Scuola Superiore Sant'Anna. Maccotta, Federica Ferrari-Bravo, Office Director for Middle East and Mediterranean Economic Policies, and four other technical experts plan to attend the conference.

¶16. (SBU) Maccotta said Italy will try to make a small (no more than Euro 100,000) donation to the Constitutional Committee secretariat, but he indicated such a donation will depend on the availability of leftover funds in Italy's special budget account for Iraq. Finally, Italy hopes to make a Euro 30 million soft loan to Iraq in 2005, he said.

Italian Spending Nears Euro 1.5 billion

¶17. (SBU) Maccotta concluded the meeting with a rundown of Italy's Iraq expenditures to date, the bulk of which, Euro 1.3 billion, has supported Italy's military deployment. Italy has disbursed an additional Euro 92 million on the civilian side, including bilateral reconstruction assistance and security for its diplomatic mission. Finally, Italy has disbursed Euro 47 million via multilateral aid channels including the FAO, UNIDO, and UNDP. Maccotta predicted that the GOI will be able to fully disburse its Euro 200 million Madrid pledge by 2007.

¶18. (U) Ambassador Jones has cleared this cable.

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